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PORTLAND
City Club
BULLETIN

Grand Ballroom • Multnomah Hotel
Friday . . . 12:10 P. M.

PORTLAND, OREGON - May 11, 1962 - Vol. 42, No. 50

NOTE: This week's meeting (only) will be held in the Grand Ballroom of the Multnomah Hotel.

**REPORTS
ON**

ESTABLISHING NEW CITY TAX BASE
(Municipal Measure No. 52)

**IMPROVEMENTS PROGRAM
WITH NEW TAX BASE**
(Municipal Measure No. 53)

The Committee: DR. C. D. BABCOCK, FORREST BLOOD, DR. EARL DRYDEN,
JOHN R. HAY, DEWITT ROBINSON, ROBERT C. SHOEMAKER, SR., and
KENNETH S. KLARQUIST, *Chairman.*

**REPORT
ON**

**ADJUSTING CERTAIN
FIRE-POLICE PENSIONS**
(Municipal Measure No. 54)

The Committee: ROBERT BATCHELDER, GORDON BEEBE, WILLIAM C. BESSEY,
DR. HOWARD DEAN, JOHN F. MOWER, HJALMAR J. RATHE
and JAMES A. NELSON, *Chairman.*

Please fill out form below and hand to staff at Friday luncheon meetings or mail to office.

Annual Dinner Meeting Reservation

The City Club of Portland
604 Park Building, Portland 5, Oregon

Please make _____ reservations for me for the Annual Dinner Meeting on Friday, May 25th, to hear Senator Albert A. Gore.

_____ Enclosed is my check in the amount of _____
(Tickets are \$4.00 each)

_____ Will send in my check shortly

Signed _____

**REPORT
ON
ESTABLISHING NEW CITY TAX BASE
(Municipal Measure No. 52)**

Charter amendment increasing city tax base from present base for 1961-1962 of \$12,988,572 which would amount to \$13,768,077 for 1962-1963, to \$16,000,000 as new tax base for subsequent computations.

To the Board of Governors,
The City Club of Portland:

ASSIGNMENT

Your Committee was requested to study and report on Ballot Measure No. 52 on the May, 1962, primary election. This measure would add to the charter of the City of Portland a new section reading as follows:

Section 7-120. INCREASE OF PROPERTY TAX BASE. For the purpose of computing the property tax levy which may be made by the City of Portland for general expenses of the City for fiscal year 1962-63, in accordance with the provisions of Article XI, Section 11, of the Constitution of Oregon, the tax base shall be increased from the present tax base for 1961-62 of \$12,988,752, which would amount to \$13,768,077 for 1962-63, to \$16,000,000, and in subsequent years after adoption of this amendment the tax base for each year shall be computed from the new base hereby established.

SOURCES OF INFORMATION

Your Committee conducted personal interviews with Mayor Terry D. Schrunk, City Commissioner Ormond R. Bean, and Lloyd Keefe, Director, City Planning Commission. Also contacted for their views were property owner groups such as Portland Association of Apartment House Owners, Building Owners and Managers Association and the Portland Board of Realtors.

Your Committee studied material relative to the proposed tax base increase prepared by Commissioner Bean, and reports on the issue by Oregon Tax Research, Chamber of Commerce and the Oregon Voter, as well as extensive articles and editorials in the local newspapers.

Also reviewed were several relevant past City Club reports, including: *Proposed New Tax Base*, October 24, 1958; *Planning for Capital Improvements*, May 16, 1958; and *Establishing New City Tax Base*, May 13, 1960.

BACKGROUND AND SCOPE OF STUDY

The proposed new Section 7-120 of the City Charter, simply stated, would permit the City to raise additional revenues for the general fund through property taxes.

Article XI, Section 11, Oregon Constitution, places a limitation on the amount of the property tax levy of every taxing unit, including the City of Portland. No tax levying unit is permitted to levy in any one year more than the amount of its tax base which is either

(a) the highest levy in any of the three preceding years' levies, plus six percent thereof, or

(b) a base established by vote of the people at a general or primary election.

Ballot Measure No. 52 would raise the tax base for 1962-63 from \$13,768,077 to \$16,000,000 by utilization of alternate (b) above. If adopted, it would form a permanent base which could be increased by increments of six percent each year.

Because Oregon's taxing limitation is in terms of tax dollars raised, an increase in property values, whether by reappraisal or improvement, cannot raise additional revenue for the City's general fund. The addition of a new building or industrial plant brings only a reduction in the tax paid by the other property owners equal in amount to the tax paid by the newly-taxed property.

Except by vote as here proposed, tax levies for the general fund may be increased only by six percent each year. This of course has a compounding effect. If the City had used its permissible six percent increase each year since 1933, the levy in 1961 would have been \$22,874,672 rather than \$12,988,752. However, in several years the City did not levy the permissible six percent increase, and as a result over the last thirty years, Portland's levies have been about \$133 million less than they otherwise could have been.

In the last ten years the allowable six percent increase has largely gone for increases to bring salaries and wages of city employees in line with private employment. At the same time, costs of supplies, equipment and material have been rising with no commensurate increase in general fund revenue to meet them. The result is that services have had to be cut, maintenance deferred, and capital improvements postponed.

ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

1. With available general funds the services rendered by the City are at a bare minimum and additional revenues are required for normal operational and house-keeping expenses.

2. Portland needs many capital improvement projects which cannot be financed with existing revenues.

3. Special levies for several programs (such as street lighting and parks) will soon expire or have expired, and continued financing will have to come either from the general fund or from further special levies.

4. An increase in tax base will permit an orderly, planned capital improvement program and eliminate "popularity contests" for special levies on the ballot.

5. The City has acquired through special levies new facilities, the maintenance of which will have to be borne by the general fund.

6. The increase in tax base is modest when compared with needs for a comprehensive capital improvement program.

ARGUMENTS ADVANCED AGAINST THE MEASURE

1. There is no planned capital improvement program at present and no assurance that additional funds will be well spent.

2. Property is bearing an unfair share of the City's expenses, and other means should be utilized to raise any additional funds needed.

3. The permissible six percent increase from the present base will give the City adequate funds over the years.

GENERAL DISCUSSION

Even a casual observation of City programs discloses that the City has had to curtail proper maintenance and defer needed capital improvements because of lack of funds. Street maintenance has been limited. Installation of traffic signals is deferred. A street bridge stands closed as unsafe. Traffic is snarled because of lack of grade separations at intersections. The Municipal Court is held under deplorable physical conditions. The grand jury as regularly as a metronome reports disparagingly upon conditions in the city jail. Many others could be cited. No solution to these matters is in sight unless special measures are taken to raise additional funds to finance the improvements. Any allocations for capital improvements from present funds would prejudice the existing operational programs.

The following list of proposed expenditures and the estimated cost of each, as compiled by Commissioner Bean, are indicative of the extent of the City's needs for the next five years not now provided for by the general fund:

Traffic signals and controls	\$ 375,000
Street Lighting	3,150,000
Civil defense	500,000
Community Centers	1,000,000
Police Precinct and Traffic Court buildings	600,000
Alterations and Additions to City Jail	500,000
Addition to Municipal Garage	300,000

Fire Bureau Warehouse	150,000
Municipal Court alterations and additions	400,000
Sewer Repairs and replacement	1,000,000
Stanton Yard building addition	500,000
Recreational Areas completion and development	1,500,000
28th Avenue bridge replacement	1,000,000
Kittredge Bridge overpass	300,000
Park Bureau Warehouse addition	150,000
Public Auditorium revision	800,000
Replacement of obsolete equipment	500,000
Swimming pools (5 present, covered)	375,000
Swimming pools (5 new, covered)	1,000,000
Grade separations:	
S.E. 17th and Powell	
East Burnside and 12th	
S.E. 39th and Sandy Blvd.	2,000,000
Zoo addition	2,000,000
Boat storage and water facilities	400,000
Oaks Pioneer Park	500,000
Freeway area neighborhood disturbance	500,000
Rehabilitation Farm for conditioning repeaters	400,000
TOTAL	\$19,900,000

The present tax base with its six percent increment each year would yield approximately \$77,600,000 over the next five years. If the proposed increase in tax base is voted, and the allowable six percent increment is added each year, it would yield approximately \$90,200,000 over the next five years. This would make available to the City, over those five years, a total additional \$12,581,554 if the measure passes.

Your Committee made no attempt to evaluate all of the proposed items, nor did it attempt to analyze the estimated cost figures. The City Council has not in fact established a priority list and will do so only if and when the measure is passed. At the present time the City Planning Commission does not have a budget sufficient to make a study and plan a capital improvement program. Passage of this measure and the additional revenues thus made available would enable budgeting of funds for a comprehensive study and planning of a long range capital improvement program. Such a program has long been urged by the City Club.*

It was evident to your Committee that additional funds are needed for general operational expenses. The Committee is also satisfied that many of the capital improvements suggested above are badly needed. The sums suggested for certain items are a bare minimum. Comment on a few proposed improvements may help illustrate the need.

Many older portions of Portland's sewers are inadequate and continually require repair. Some portions are overloaded. Money raised from the recently increased sewer user charge is earmarked for work on interceptors and disposal facilities and cannot be used for repair or maintenance of these older portions of the sewer system. Repair or replacement of trunk or lateral sewers must be financed from the general fund and because of the many demands on the general fund, only emergency work on the sewers has been done for a number of years.

Upon expiration in 1965 of the special levy for street lighting, the expense of the lighting system will fall into the general fund. For operation alone, this amounts to about \$1,000,000 per year. Any expansion would require additional funds, and improved lighting in many areas is required.

Remodeling of the auditorium to improve the seating arrangements and acoustics would be highly desirable. Such improvement would, it is anticipated, substantially increase its use and the net revenue from its use.

*See *Report on Planning of Capital Improvements*, Portland City Club Bulletin, Vol. 38, No. 50, May 16, 1958.

Much of the equipment used by the city is obsolete and virtually worn out. Its continued use is false economy because of the high maintenance cost and low efficiency. Replacement is needed.

With the expiration in 1960 of the special serial levy for parks and recreation, the operational expense last year had to be met from the general fund. The result was a curtailment of the park program, including restriction of swimming pool operation, because adequate funds could not be budgeted. Curtailment in the future appears necessary unless more money becomes available.

Consideration could also be given to completing the popular Portland zoo in accordance with original plans.

While some items such as new swimming pools, community centers, boat docks, etc., are not pressing needs, they are part of a necessary program to make Portland a more pleasant city in which to live.

METHOD OF FINANCING

Argument can be made that property is already bearing too heavy a tax burden. However, our present taxing system for units below the state level places the principal burden upon property, and until a fundamental change is made in our tax structure, property will have to carry the burden placed upon it.

Argument can also be made that capital improvements should be financed by special levies or bond issues which would give the voters an opportunity to express their approval or disapproval. This arrangement makes difficult any planned, orderly and coordinated improvement program.

While it is true that the full amount of the base increase and annual increments thereto might be used for general operational expenses, it is believed that our Council can be trusted to use the funds judiciously.

The proposed amount of the increase is modest in the face of requirements. Its initial cost to the taxpayer is only \$2.58 per \$1,000 of assessed value.

CONCLUSIONS

Your Committee concludes that there is a genuine need for an increase in the tax base to permit raising of additional sums for the general fund. It is apparent the increased revenue expected to accrue from the proposed new tax base is modest in the face of increased operational costs and desirable expenditures.

RECOMMENDATION

Your Committee recommends that the City Club go on record as in favor of Ballot Measure No. 52.

Respectfully submitted,
Dr. C. D. Babcock
Forrest Blood
Dr. Earl Dryden
John R. Hay
DeWitt Robinson
Robert C. Shoemaker, Sr.
Kenneth S. Klarquist, *Chairman*

Approved April 25, 1962 by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors April 30, 1962 and ordered printed and submitted to the membership for discussion and action.

**REPORT
ON
IMPROVEMENTS PROGRAM
WITH NEW TAX BASE
(Municipal Measure No. 53)**

To the Board of Governors,
The City Club of Portland:

ASSIGNMENT

Ballot Measure No. 53 is a companion to measure No. 52 which would increase the tax base. Measure No. 53 would add Section 7-122 to the City Charter, requiring the City Council at the beginning of each fiscal year to set aside ten percent of the annual tax levy for assets or improvements. Since its adoption is contingent upon the passage of ballot measure No. 52 and is related thereto, the same Committee undertook study of both measures.

The proposed Section 7-122 is as follows:

Section 7-122. **ASSETS AND IMPROVEMENT PROGRAM.** The Council shall at the beginning of each fiscal year set aside as collected, at least ten percent of the annual tax levy for general fund purposes within the tax base used for that particular year, for assets or improvements which the council finds to be necessary or appropriate. The moneys so allocated may be expended during the same or any subsequent fiscal years for: acquisition, construction, reconstruction, remodeling, replacement, development, extension, maintenance and equipment of structures, facilities, projects, works and improvements, and for expenditures related thereto, including but not limited to costs of acquisition, legal, architectural and engineering expenses, expenditures for labor and other expenditures in order to accomplish the purpose of providing the asset or improvement. If any such improvement involves payment by any other person or subdivision of government of a portion of the cost of such improvement, this authority shall not be deemed to require or permit payment by the city of more than its share of such improvement cost.

Section 2. The foregoing amendment of the Charter contained in Section 1 hereof shall be effective if the tax base increase being proposed by separate Charter amendment at the election on May 18, 1962, is adopted by a favorable majority of the electors of the City of Portland voting thereon at said election; otherwise the Charter amendment contained in Section 1 hereof shall be void and of no force and effect.

SOURCES OF INFORMATION

The same sources of information were explored for this measure as in the investigation on Measure No. 52 and listed in our preceding report.

ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

1. It will give assurance that a major portion of increased revenue that would be available by the adoption of Measure No. 52 will be utilized for capital improvements.
2. It will enable accumulation of funds for capital improvements.

ARGUMENTS ADVANCED AGAINST THE MEASURE

1. It ties the hands of the City Commissioners.
2. The Council already has power to set aside any portion of the budget it desires for capital improvements.

DISCUSSION

The Council presently has the permissive power to budget expenditures for the purposes specified. The measure would simply make it mandatory that ten percent of the general fund tax revenues be allocated as directed. The principal purpose of the measure is to give assurance to the voters that of any increase in tax revenues they vote in Measure No. 52, a substantial proportion will be utilized for acquisition of assets and improvements. While admittedly this will limit the Council's discretion as to the use of tax funds, the amount which will be set aside pursuant to the measure is extremely modest and in actuality, the funds can be spent for a wide variety of purposes, including non-capital items.

There would seem to be no danger of funds lying idle. If the assurance given by this measure would facilitate the passage of Ballot Measure No. 52, your Committee feels that passage of Measure No. 53 is warranted. We would also hope that it will impose on this Council and future councils a moral obligation to proceed with a planned, orderly improvement program.

RECOMMENDATION

Your Committee recommends that the City Club go on record as in favor of Ballot Measure No. 53.

Respectfully submitted,

Dr. C. D. Babcock

Forrest Blood

Dr. Earl Dryden

John R. Hay

DeWitt Robinson

Robert C. Shoemaker, Sr.

Kenneth S. Klarquist, *Chairman*

Approved April 25, 1962 by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors April 30, 1962 and ordered printed and submitted to the membership for discussion and action.

**REPORT
ON
ADJUSTING CERTAIN
FIRE-POLICE PENSIONS
(Municipal Measure No. 54)**

Charter amendment to increase and correlate with current salaries of first-class firefighters and first-class patrolmen, pensions of retired firemen and policemen and their widows and dependent minor children, if either retirement or death occurred prior to July 1, 1947, and providing for annual adjustments.

To the Board of Governors,
The City Club of Portland:

ASSIGNMENT

You have directed this Committee to study and report on Municipal Ballot Measure No. 54 amending Section 5119 of the Charter of the City of Portland relating to pensions of city firemen and policemen who retired prior to July 1, 1947, and of their dependents.

STATEMENT OF PURPOSE

This measure would raise the average pensions of members of the fire and police departments who had retired prior to 1947, from \$130.00 per month to \$200.00 per month, and for widows of such retirees from \$87.00 per month to \$121.00 per month, with provision for adjustment of these amounts to correspond with cost-of-living increases. This would be an increase in pensions within an already authorized tax levy.

SOURCES OF INFORMATION

The Committee interviewed Mr. Robert Clohessy, representative of the City Auditor's office and deputy secretary of the Board of Trustees of the Fire and Police Disability and Retirement Fund; Mr. Victor C. Hefferin, Chairman pro-tem of the Retirement Board; Marion Rushing, Chief Deputy City Attorney and author of the ballot measure; Mr. Richard Unis, Deputy City Attorney, who assisted Miss Rushing in the preparation of the measure; Mr. John Hawkins of the County Auditor's office, and Mr. Michael Matich of the State Public Employees' Retirement System.

In addition to the City Charter and other documents and reports, the Committee reviewed three previous City Club reports concerned with fire-police pensions*. The 1954 measure proposed an increase in pre-1947 pensions and was approved by the voters. In 1960, a measure, comparable to the present measure, proposing further increases and better correlation was defeated.

DISCUSSION

Retired Portland firemen and policemen, who, for brevity, will be referred to as "members", and their widows and minor children now receive entirely different benefits, depending on whether the member retired before July 1, 1947, or after that date. On the average, a member who retired before July 1, 1947 received less than half the pension of a member retiring since July 1, 1947. The proposed increase in the pre-1947 pensions would still be substantially below the average pension paid post-1947 pensioners and their widows, as shown in the following table:

*"Act Authorizing Special Tax for Fire and Police Disability Retirement and Death Benefit Plan", City Club Bulletin, Vol. 29, No. 25, Oct. 22, 1948.

"Increasing Old Fire-Police Pensions", City Club Bulletin, Vol. 35, No. 17, October 1, 1954.

"Adjusting Certain Fire-Police Pensions", City Club Bulletin, Vol. 41, No. 23, November 4, 1960.

AVERAGE PENSIONS

Pension Groups	Members	Widows
Retired after 1947	\$265.00	\$155.00
Retired before 1947 (Current Payment)	130.00	87.00
Retired before 1947 (Proposed Payment)	200.00	121.00

Under the pensions system adopted in 1948 and now in effect, actual pensions drawn by a particular member retiring since July 1, 1947 are adjusted periodically in direct ratio to any increase or decrease in the current salary of a first-class firefighter or first-class patrolman. These pensions, therefore, reflect fluctuations in the cost of living.

Members who retired prior to July 1, 1947 and their widows (there obviously being no dependent minors), receive pensions of fixed dollar amounts which vary according to years of service but do not reflect changes in the cost of living.

State and county firefighters and law enforcement officers have the advantage of Social Security, disability, and other benefits. Portland city firemen and policemen and the City have never agreed to participation in Federal Social Security or the State Public Employees Retirement programs. Their only pensions source is the City Retirement program. The conclusion is unavoidable that the pensions of Portland firemen and policemen who retired before 1947 are woefully inadequate when compared not only with the post-1947 group but with their state and county counterparts.

The November, 1960, report to the City Club stated:

"because of inadequate pensions benefits, a number of these pensioners are receiving additional support either from the City General Fund or from welfare payments. Others are in rest homes or receive care from public agencies and private charitable groups."

Your Committee is informed that the circumstances have not changed in this regard, and the inadequacies then reported have undoubtedly increased along with the increased cost of living.

The November, 1960 measure, which was similar to the current proposal, was defeated by only 361 votes in a year when many tax measures were presented on the ballot.

FUNDING THE PROGRAM

The post-1947 pensions are funded primarily by a tax levy and compulsory contributions from active employees of the Police Department and Fire Bureau. The pre-1947 pensions are funded almost entirely by the tax levy, member contributions to this fund having been exhausted long since. The two programs are administered without segregation by a single Board of Trustees which each year estimates the amount necessary to operate the program for the ensuing year. If the contributions from the post-1947 members, together with incidental income such as gifts and bequests, are insufficient for the ensuing year's estimated expenditures, a real property tax may be levied to make up the estimated deficiency but not to exceed a levy of 2.9 mills. It has never been necessary to levy a tax at the maximum of 2.9 mills and it is doubtful that the maximum levy will be necessary in the foreseeable future. The total budget for 1960-61 required a tax levy of only 1.81 mills to raise \$1,570,618.00 for the fund.

In 1961 the cost of funding the pre-1947 pensions was \$296,154.00. If the proposed measure passes, the cost in the fiscal year 1962 will be \$460,380.00, an increase of \$164,235.00. This increase represents a slight increase in taxes, but it does not require an additional authorized levy. Furthermore, the proposed increase would be offset by reductions in payments to these members from other public sources.

In 1960 there were 105 members and 167 widows in the pre-1947 group. Today

there are only 85 members and 162 widows. The members' average age is 81 and that of widows is 71.5 years. This group is destined to dwindle in number at an ever-increasing rate each year, reducing the cost of the program in direct ratio.

CONCLUSION

Your Committee feels that the City owes an obligation to its older pensioners to maintain an adequate retirement program.

The Committee has found no arguments against the proposed measure. In fact, it feels that pre-1947 pensions should be raised to the level of post-1947 pensions. Although this measure does not accomplish the equalization which your Committee feels would be desirable, it does provide a long-needed increase.

RECOMMENDATION

Your Committee unanimously recommends that the City Club of Portland approve the proposed amendment to the City Charter and urges a "yes" vote on Municipal Ballot Measure No. 54.

Respectfully submitted,

Robert Batchelder

Gordon Beebe

William C. Bessey

Dr. Howard Dean

John F. Mower

Hjalmar J. Rathe

James A. Nelson, *Chairman*

Approved by the Research Board May 2, 1962 for transmittal to the Board of Governors.

Received by the Board of Governors May 7, 1962, and ordered printed and submitted to the membership for discussion and action.